

Message Text

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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 8119
INFO ALL EC CAPITALS

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USEEC

PARIS ALSO FOR OECD

E.O. 11652:N/A
TAGS: EEC, ETRD, EIND
SUBJECT: EC FOREIGN MINISTERS COUNCIL, JULY 25: STEEL

REF: BRUSSELS 12733

1. SUMMARY: THE JULY 25 EC FOREIGN MINISTERS COUNCIL
HEARD AN INTERIM REPORT FROM EC INDUSTRY COMMISSIONER
DAVIGNON ON THE EC'S ANTI-CRISIS PLAN FOR STEEL. HE
CHARACTERIZED STEEL PRODUCERS' ABUSES OF THE PLAN AS
FLAGRANT. TO GIVE WEIGHT TO HIS URGINGS FOR COMPLIANCE
WITH THE PLAN, THE COMMISSION PRESENTED THE COUNCIL WITH
A BLEAK UPDATED FORECAST OF COMMUNITY STEEL PRODUCTION
CAPACITY AND CONSUMPTION THROUGH 1990 (SEPTEL).
ITALY AGAIN CRITICIZED FRENCH CUSTOMS AUTHORITIES
FOR HOLDING UP SHIPMENTS OF ITALIAN STEEL AT THE BORDER,
AND DAVIGNON STATED HE WOULD NOT HESITATE
TO TAKE PUNITIVE MEASURES SHOULD ANY STATE ATTEMPT
TO PREVENT THE FREE MOVEMENT OF GOODS. THE COMMISSION
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PROMISED RAPID ACTION ON A UK COMPLAINT ABOUT RISING
STEEL IMPORTS FROM EASTERN EUROPE. A PROPOSAL FOR A
SUPPLEMENTAL INCREASE IN THE ECSC 1978 BUDGET WAS REFERRED
TO COREPER. END SUMMARY.

2. COMMISSIONER DAVIGNON, IN PRESENTING THE COM-
MISSION'S REPORT ON "GENERAL OBJECTIVES" FOR THE STEEL

INDUSTRY, WAS CRITICAL OF PRODUCERS FOR HAVING EXCEEDED THE PRODUCTION OBJECTIVES OF THE ANTI-CRISIS PLAN DURING THE FIRST HALF OF 1978. THE REPORT INDICATES THAT WITH THE EXCEPTION OF HOT ROLLED COILS, THE COMMUNITY'S PRESENTLY EXISTING PRODUCTION CAPACITY ALREADY LARGELY EXCEEDS THE LEVEL NECESSARY TO COVER PROJECTED DEMAND FOR 1985. ACCORDING TO A COMMISSION SPOKESMAN, DISCUSSION OF THE GENERAL OBJECTIVES WAS BRIEF, BUT A NUMBER OF MINISTERS COMMENTED THAT IT WOULD BE USEFUL TO EXCHANGE PRELIMINARY CONCLUSIONS ON THE REPORT AT THE SEPTEMBER COUNCIL SO THAT CONCRETE MEASURES COULD BE TAKEN BY THE END OF THE YEAR.

3. DURING THE DEBATE, DAVIGNON EMPHASIZED THE NEED FOR COOPERATION AMONG THE COMMISSION, MEMBER STATE GOVERNMENTS, AND, ABOVE ALL, THE STEEL PRODUCERS. BELGIUM PROPOSED A TRI-PARTITE CONFERENCE (GOVERNMENTS, PRODUCERS AND TRADE UNIONS) TO DEAL WITH THE STEEL PROBLEM, BUT IT MET WITH LITTLE SUPPORT. FRANCE PREFERRED SUCH CONSULTATIONS TO TAKE PLACE IN THE ECSC CONSULTATIVE COMMITTEE BUT DAVIGNON'S SPOKESMAN, IN COMMENTS TO THE PRESS AFTER THE COUNCIL MEETING, SAID THE COMMISSIONER HAD SAID SUCH A TRI-PARTITE MEETING COULD BE USEFUL ELICIT VARIOUS OPTIONS. THE QUESTION OF SOME KIND OF CONFERENCE, INCLUDING GOVERNMENTS, PRODUCERS AND TRADES UNIONS, WILL MOST LIKELY UNCLASSIFIED

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BE BROUGHT UP AGAIN.

4. ACCORDING TO THE COMMISSION SPOKESMAN, ITALIAN DEPUTY SECRETARY OF STATE ANGELO-MARIA SANZA EXPRESSED ITALY'S DISSATISFACTION WITH FRENCH IMPLEMENTATION OF THE COMMISSION'S DECISION ON SURETY BONDS (DEPOSIT REQUIREMENTS)(REFTEL) WHICH, THE ITALIANS ARGUED, ARE BEING SO STRICTLY APPLIED AS TO INJURE ITALIAN MANUFACTURERS. ITALIAN DELIVERIES OF CONCRETE REINFORCING BARS AND ROLLED PRODUCTS ARE BEING HELD UP AT THE FRENCH FRONTIER HE CHARGED. ITALY WAS ALSO UNHAPPY WITH THE COMMISSION WHICH SEEMED, SANZA SAID, TO BE MORE CRITICAL AND DEMANDING OF ITALIAN MANUFACTURERS THAN OF OTHERS. ACCORDING TO THE SAME SOURCE, FRENCH STATE SECRETARY STIRN DENIED THERE WAS A BLOCKADE OF ITALIAN STEEL PRODUCTS, BLAMING THE PROBLEM ON ITALIAN MANUFACTURERS WHO HAVE REFUSED TO POST SURETY BONDS. DAVIGNON STATED THAT SHOULD THE COMMISSION'S INVESTIGATIONS SHOW THAT A MEMBER STATE WAS ATTEMPTING TO PREVENT THE FREE FLOW OF GOODS OUTSIDE THE RULES OF THE GAME, HE WOULD NOT HESITATE TO TAKE NECESSARY PUNITIVE MEASURES. IN A POST-COUNCIL BACKGROUND

BRIEFING FOR THE FRENCH PRESS, STIRN SUPPORTED DAVIGNON'S FORECEFULNESS AND STATED THAT FRANCE HAD CONFIDENCE IN THE COMMISSION'S ABILITY TO SOLVE THE PROBLEM.

5. UK MINISTER OF STATE JUDD, SPEAKING TO NEWSMEN AFTER THE COUNCIL MEETING, SAID THAT BRITAIN HAD BROUGHT UP THE QUESTION OF RISING IMPORTS OF STEEL FROM EASTERN EUROPE WHICH ARE BEING TRANSHIPPED TO BRITAIN THROUGH OTHER MEMBER STATES. JUDD IDENTIFIED CZECHOSLOVAKIA, HUNGARY, POLAND AND ROMANIA AS THE COUNTRIES OF ORIGIN CONCERNED. HE SAID THE UK HAD BEEN ASSURED BY DAVIGNON

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THAT SHOULD IT PROVE NECESSARY, ACTION WOULD BE TAKEN AS EARLY AS AUGUST. THE UK HAD ALSO COMPLAINED, ACCORDING TO THE COMMISSION SPOKESMAN, ABOUT THE LOW PRICES OF SPECIALTY STEEL BEING EXPORTED TO THE UK FROM UNNAMED THIRD COUNTRIES. HE SAID THESE IMPORTS ARE IN LARGE PART RESPONSIBLE FOR SHEFFIELD INDUSTRY WORKING AT ONLY ONE THIRD OF CAPACITY. DAVIGNON REQUESTED MORE TIME IN WHICH TO CONCLUDE STEEL AGREEMENTS WITH THIRD COUNTRIES AND PROMISED A REPORT WITHIN A WEEK ON THE FUNCTIONING OF AGREEMENTS WITH SPAIN, FINLAND AND AUSTRIA. THIS REPORT WOULD BE CONSIDERED AT THE SEPTEMBER COUNCIL.

6. THE COUNCIL ALSO EXAMINED THE QUESTION OF ALLOCATING

AN ADDITIONAL 32 MILLION UNITS OF ACCOUNT TO THE ECSC'S
1978 BUDGET TO FINANCE ECSC ACTIVITIES IN RESTRUCTURING
THE STEEL SECTOR. THE 32 MILLION WOULD CONSTITUTE A VOL-
UNTARY CONTRIBUTION OF MEMBER STATES. FRG MINISTER OF
STATE DOHNANYI INFORMED THE PRESS THAT SINCE ONE MEMBER
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STATE HAD PUT A RESERVE ON THIS POINT AND ANOTHER HAD
BEEN DOUBTFUL, THE MATTER HAD BEEN REFERRED TO COREPER.
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